

FUND BALANCE

Why is the level of Fund Balance important to the City?

- It is important to maintain fund balance in the major operating funds at a level that would be sufficient to provide a financial cushion in the event of unanticipated events, such as a loss or major reduction of a revenue source, a sudden economic downturn, or natural disasters.
- For the General Fund, the North Carolina Local Government Commission strongly recommends an unreserved fund balance of 8% of fund appropriations, minus appropriations for debt service and transfers to other funds.
- Bond rating agencies regard the level of fund balance in the General Fund as an indicator of the quality of the municipality's financial management. Both Moody's and Standard and Poor's Investors' Services analysts would judge an undesignated fund balance of 5% to 10% to be a comfortable level.
- For the General Fund, appropriations from fund balance are made consistent with the City Council policy that limits such appropriations to the equivalent of four cents on the tax rate over the two-year budget cycle. By adhering to this policy, operating expenses should stay within available current revenues. The City's current policy is to maintain a fund balance of 12%. Given the current economic climate and actions by the State, the City will maintain a minimum of 10%. The City intends to return its fund balance to 12% over the next several years.
- The actual Undesignated Fund Balance will be determined following the annual audit of revenues and expenditures for FY 2002-03.
- The City does not have a Fund Balance policy for the Enterprise and Special Funds, however financial prudence dictates that these funds should also maintain a reasonable level of Net Cash Assets to cover unanticipated costs.

Fund Balance as of June 30, 2002

| | |
|-----------------------|--------------|
| General Fund | \$13,541,204 |
| Enterprise Funds | \$21,546,155 |
| Special Revenue Funds | \$ 6,630,138 |
| Fee Generated Funds | \$ 5,699,111 |
| All Funds | \$47,416,608 |

ESTIMATED CHANGES IN UNRESTRICTED FUND BALANCE GENERAL FUND

| | Fund Balance Amount | Percent of Adjusted Appropriations |
|--|------------------------|--|
| Total unrestricted fund balance available for appropriation at June 30, 2002 | \$ 14,256,204 | |
| minus, appropriation from Fund Balance for subsequent year's expenditures | (715,000) | |
| Total unrestricted fund balance at June 30, 2002 | \$ 13,541,204 | |
| Add, Estimated Addition/(Reduction) during FY 2002 | (823,781) | |
| Total unrestricted fund balance available for appropriation at June 30, 2002 | \$ 12,717,423 | |
| Minus, appropriation from fund balance for subsequent year's expenditures | - | |
| Total unrestricted fund balance at June 30, 2003 | \$ 12,717,423 | 10.0% |